

Message Text

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ORIGIN EB-08

INFO OCT-01 AF-10 ARA-14 EUR-12 EA-12 NEA-10 IO-14

ISO-00 FEA-01 AGRE-00 CEA-01 CIAE-00 COME-00

DODE-00 FRB-01 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-02 CTME-00 AID-05 SS-15 STR-05

ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01 SIG-02

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STR:S COFFIELD

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FM SECSTATE WASHDC

TO USMISSION GENEVA PRIORITY

INFO AMEMBASSY ANKARA

AMEMBASSY BELGRADE

AMEMBASSY BONN

AMEMBASSY BRASILIA

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY HELSINKI

AMEMBASSY MADRID

AMEMBASSY MANILA

AMEMBASSY NEW DELHI

AMEMBASSY OSLO

AMEMBASSY PARIS

AMEMBASSY PRETORIA

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

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ALSO FOR USOECD, USEEC, AND USDEL MIN

E.O. 11652:N/A

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TAGS: ETRD, GATT, OECD

SUBJECT: HIGH CARBON FERROCHROMIUM: UNITED STATES

INTERNATIONAL TRADE COMMISSION RELEASE REPORT RECOMMENDING

IMPORT RELIEF

REF: A) STATE 281848, B) STATE 172788

1. THE UNITED STATES INTERNATIONAL TRADE COMMISSION (USITC) REPORTED TO THE PRESIDENT DEC. 1 THAT IT HAD DETERMINED BY A THREE TO ONE VOTE THAT HIGH-CARBON FERROCHROMIUM IS BEING IMPORTED INTO THE UNITED STATES IN SUCH INCREASED QUANTITIES AS TO BE "A SUBSTANTIAL CAUSE OF THE THREAT OF SERIOUS INJURY" TO THE DOMESTIC INDUSTRY PRODUCING AN ARTICLE LIKE OR DIRECTLY COMPETITIVE WITH THE IMPORTED ARTICLE. HIGH-CARBON FERROCHROMIUM IS DEFINED IN THE TARIFF SCHEDULES OF THE UNITED STATES (TSUS) AS FERROCHROMIUM CONTAINING OVER THREE PERCENT BY WEIGHT OF CARBON.

2. THE CURRENT U.S. COLUMN 1 IMPORT DUTY ON HIGH-CARBON FERROCHROMIUM (TSUS 607.31) IS 0.625 CENTS PER POUND ON CHROMIUM CONTENT, APPROXIMATELY 1.9 PERCENT AD VALOREM. THE COMMISSION RECOMMENDED THIS DUTY BE INCREASED AN ADDITIONAL

THIRTY PERCENT AD VALOREM FOR THE NEXT TWO YEARS AND THEN BE GRADUALLY SCALED DOWN IN SUBSEQUENT YEARS ACCORDING TO THE FOLLOWING SCHEDULE: 1ST AND 2ND YEARS 30 PERCENT, 3RD YEAR 25 PERCENT, 4TH AND 5TH YEARS 20 PERCENT.

3. THE ITC FOUND THAT IMPORTS OF HIGH-CARBON FERROCHROMIUM INCREASED IRREGULARLY FROM 44,017 SHORT UNCLASSIFIED

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TONS, CHROMIUM CONTENT, IN 1972 TO 107,307 SHORT TONS IN 1976. IMPORTS INCREASED THEIR SHARE OF THE U.S. MARKET FROM 32 PERCENT TO 70 PERCENT DURING THIS PERIOD.

4. THE COMMISSION FURTHER REPORTED THAT NET SALES OF U.S. PRODUCERS DECLINED FROM 103.2 MILLION DOLLARS IN 1974 TO 88.8 MILLION DOLLARS IN 1976. U.S. PRODUCERS' SHIPMENTS DECLINED FROM 154,000 SHORT TONS, CHROMIUM CONTENT, TO 112,000 SHORT TONS DURING THE SAME PERIOD. THIS DECREASE OCCURRED DESPITE THE FACT THAT MORE HIGH-CARBON FERROCHROMIUM WAS USED PER TON OF STAINLESS STEEL PRODUCED IN 1976 THAN IN 1972 BECAUSE OF THE CONTINUING CONVERSION OF U.S. STAINLESS STEEL PRODUCTION TO THE ARGON-OXYGEN-DECARBURIZATION (AOD) PROCESS, WHICH PERMITS THE SUBSTITUTION OF HIGH-CARBON FOR LOW-CARBON FERROCHROMIUM. THE AGGREGATE NET OPERATING PROFIT FOR THE DOMESTIC INDUSTRY DROPPED FROM 21.2 MILLION DOLLARS IN 1974 TO 7.9 MILLION DOLLARS IN 1976, OR BY 63 PERCENT. NET OPERATING PROFIT IN JANUARY-JUNE 1977 WAS 1.3 MILLION DOLLARS, 76 PERCENT LESS THAN THE PROFIT OF 5.4 MILLION DOLLARS REPORTED IN JANUARY-JUNE 1976. THREE OF THE FIVE U.S. PRODUCERS HAD OPERATING LOSSES ON THEIR HIGH-CARBON

FERROCHROMIUM OPERATIONS IN 1976 AND FOUR HAD OPERATING LOSSES IN JANUARY-JUNE 1977.

5. THE ITC FURTHER FOUND THAT U.S. PRODUCERS' INVENTORIES OF HIGH-CARBON FERROCHROMIUM DECLINED FROM 18,957 SHORT TONS ON JANUARY 1, 1972 TO 8,957 SHORT TONS ON JANUARY 1, 1975. HOWEVER, THESE INVENTORIES INCREASED BY ABOUT 350 PERCENT TO 40,964 SHORT TONS ON JANUARY 1, 1977. ALTHOUGH U.S. PRODUCERS REDUCED THEIR INVENTORIES IN JANUARY-JUNE 1977, THEY STILL REMAIN AT AN INORDINATELY HIGH LEVEL.

6. THE ITC ESTIMATED THAT WORLDWIDE PRODUCTION CAPACITY FOR HIGH-CARBON FERROCHROMIUM IS 1.5 MILLION SHORT TONS, UNCLASSIFIED

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CHROMIUM CONTENT, OR 40 TO 50 PERCENT GREATER THAN CURRENT DEMAND. THIS EXCESS CAPACITY POSES A SIGNIFICANT THREAT TO THE DOMESTIC INDUSTRY BECAUSE THE UNITED STATES IS ONE OF THE PRIMARY MARKETS FOR FOREIGN-PRODUCED HIGH-CARBON FERROCHROMIUM. INCREASED DEMAND WILL NOT ABSORB

THE EXCESS CAPACITY UNTIL AT LEAST 1987, ASSUMING AN OPTIMISTIC ANNUAL GROWTH RATE IN THE PRODUCTION OF STAINLESS STEEL WITH NO FURTHER ADDITIONS TO FERROCHROMIUM CAPACITY.

7. UNDER SECTION 201 OF THE TRADE ACT OF 1974, THE PRESIDENT HAS SIXTY DAYS FOLLOWING THE RECEIPT OF A RECOMMENDATION FOR IMPORT RELIEF FROM THE USITC TO DETERMINE WHAT METHOD AND AMOUNT OF IMPORT RELIEF HE WILL PROVIDE, OR DETERMINE THAT THE PROVISION OF SUCH RELIEF IS NOT IN THE NATIONAL ECONOMIC INTERESTS OF THE UNITED STATES.

8. THE CURRENT COLUMN 1 IMPORT DUTY OF 0.625 CENTS PER POUND OR CHROMIUM CONTENT IS BOUND TO CANADA AND SOUTHERN RHODESIA. THE FOLLOWING STATISTICS PRESENT U.S. IMPORTS OF HIGH-CARBON FERROCHROMIUM IN 1974-76; HOWEVER, IMPORTS FROM RHODESIA WERE EMBARGOED BY THE UNITED STATES EFFECTIVE MARCH 18, 1977:

IMPORTS BY VALUE (1,000 U.S. DOLLARS)

AVERAGE

	1974	1975	1976	1974-76
SOUTH AFRICA	8,998	29,219	26,650	21,622
RHODESIA	6,520	33,160	15,131	18,270
BRAZIL	2,641	6,651	10,126	6,473

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YUGOSLAVIA	10,877	9,219	10,021	10,039
JAPAN	1,067	51,380	5,098	19,182
ALL OTHER	3,030	5,411	3,007	3,816
TOTAL	33,134	135,041	70,035	79,402

9. FULL DETAILS ARE CONTAINED IN THE COMMISSION REPORT
TO THE PRESIDENT, USITC PUBLICATION 845.

10. ACTION REQUESTED OF GENEVA: MISSION SHOULD TRANSMIT
CONTENTS OF PARA 1-8 TO THE SECRETARIAT FOR CIRCULATION
TO CP'S AS A NOTIFICATION UNDER ARTICLE XIX:2 AND EXPRESS
OUR READINESS TO CONSULT WITH CONTRACTING PARTIES HAVING
A SUBSTANTIAL INTEREST AS EXPORTERS OF HIGH-CARBON
FERROCHROMIUM IN RESPECT OF THE PROPOSED ACTION.

11. U.S. MISSION OECD PARIS MAY INFORM OECD SECRETARIAT.

12. COPIES OF USITC REPORT HAVE BEEN AIR POUCHED TO ALL
ADDRESSEES. CHRISTOPHER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
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Disposition Approved on Date:
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Disposition Event:
Disposition History: n/a
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